

ROCHESTER SCHOOL DISTRICT No. 401
Thurston County, Washington
September 1, 1993 Through August 31, 1994

Schedule Of Federal Findings

1. Payroll Charges To Federal Programs Should Be Supported By Time And Attendance Records

Our prior audit contained a finding against the district for not having an acceptable system for recording employee time and attendance spent on the federal Chapter 1 and Handicapped programs.

Our current review of the district's time and attendance records revealed that the district still does not have an adequate system for recording employee time and attendance spent on the federal Chapter 1 Programs-Local Education Agencies (CFDA 84.010) and Chapter 1 Program for Neglected and Delinquent Children (CFDA 84.013).

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements To State And Local Governments* and U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles*, establish standards for documentation and allowability of costs chargeable to federal grant programs. Among the standards are:

- a. Grantee financial management systems shall provide for records that identify adequately the source and application of funds for grant supported activities (Common Rule).
- b. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees (OMB Circular A-87).

In the absence of a system that meets federal standards, salary and benefits charged to federal programs are not properly supported.

District and program management indicated they did not understand properly the federal requirements for time and attendance reporting and documentation. They were under the mistaken impression time and attendance records were not required if its employees were assigned to only one federally funded program.

We again recommend the district implement a time and attendance reporting system, including written procedures, that complies with the standards set forth in the "Common Rule" and OMB Circular A-87.

2. Rochester School District Overclaimed Chapter 1 Grant Expenditures

During our audit of federal grants, we reviewed FY 1993-94, GR20252 Chapter 1 Regular Grant received by the district from the Washington State Superintendent of Public Instruction (SPI). It was determined that the district claimed reimbursements for, and received, \$1,254 more than was actually expended under the grant program.

U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, states in part:

To be allowable under a grant program, costs must meet the following general criteria: Be necessary and reasonable . . . be allocable . . . A cost is allocable to a particular cost objective to the extent of benefits received by such objectives.

Because of the reporting error, the district was reimbursed excess Chapter 1 costs of \$1,254.

Apparently, this condition occurred when the district included payroll expenditures of a teacher who did not work in the Chapter 1 program in its claim to SPI.

We recommend that the district refund \$1,254 to SPI. We also recommend that Rochester School District No. 401 establish a management review process to ensure that funds requested are based on actual costs incurred.